# **Doing Business In Nicaragua: A Country Commercial Guide for U.S. Companies**

# **Chapter 1: Doing Business in Nicaragua**

#### **Market Overview**

- Nicaragua's gross domestic product (GDP) increased by an estimated 4.0% in 2011, due largely to a rapid increase in prices for Nicaraguan exports and increased consumer spending at home. Inflation in 2011 was 7.95%. The Central Bank of Nicaragua forecasts GDP growth of 3.5 to 4% in 2012 with inflation of 8 to 9%.
- On April 1, 2006, the United States Central America Dominican Republic Free Trade
  Agreement (CAFTA-DR) entered into force for the United States and Nicaragua. 80% of U.S.
  exports of consumer and industrial goods now enter Nicaragua duty-free, with remaining
  tariffs to be phased out by 2016. Tariffs on most U.S. agricultural products will be phased
  out within 15 years, with all tariffs eliminated in 20 years.
- With CAFTA-DR, Nicaragua also offers substantial market access for U.S. firms across the
  entire services spectrum, including telecommunications, express delivery, computer and
  related services, tourism, energy, transport, construction and engineering, financial services,
  insurance, audio/visual and entertainment, and professional services. The agreement
  features key protections for U.S. investments and intellectual property. It also includes
  commitments on environmental standards, labor rights, government procurement, and
  corruption.
- The United States is Nicaragua's largest trading partner, the source of roughly a quarter of Nicaragua's imports and the destination for approximately two-thirds of its exports (including free zone exports). U.S. exports to Nicaragua totaled \$1.1 billion in 2011, including cereals, donated goods, mechanical machinery, textiles and apparel, oils and fats, medical and dental equipment, electrical machinery, vehicles, and plastics. Nicaraguan exports to the United States were \$2.6 billion in 2011, including textiles and apparel, automobile wiring harnesses, coffee, meat, fish, tobacco, gold, fruits, vegetables, and sugar. Other important trading partners for Nicaragua are Venezuela, El Salvador, Costa Rica, Mexico, and the European Union.
- The Nicaraguan Government estimates that foreign investment inflows were \$880.6 million in 2011, up from \$508 million in 2010. There are more than 125 wholly- or partly- U.S-owned subsidiaries of U.S. companies currently operating in Nicaragua. The largest of these investments are in textiles and apparel, energy, financial services, light manufacturing, tourism, fisheries, and shrimp farming. Other major investors include Venezuelan, Mexican, Canadian, and other Central American firms.

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## **Market Challenges**

- Poor infrastructure increases costs for many businesses. Because oil is the fuel used by most
  power plants, electricity service in Nicaragua is the most expensive in Central America. With
  the exception of a few major intercity links, roads are poorly maintained and sometimes
  impassable. Seaport infrastructure is limited, and costs are high.
- The Nicaraguan economy is small and purchasing power is limited for many consumers. Of the total population of 5.89 million, 46% live below the poverty line. Family remittances, \$911.6 million in 2011 significantly, augment incomes for many Nicaraguans, as do transfers provided by the Sandinista National Liberation Front (FSLN) with Venezuelan funding.
- Several factors contribute to an uncertain policy environment for foreign investors. Harsh
  rhetoric by the Government of Nicaragua against the United States, capitalism, and free
  trade has had a negative effect on foreign investor perceptions of risk. Government officials
  frequently deride neoliberal policies and the "tyranny of capitalism" and criticize foreign
  investors for paying "slave wages."
- Nicaragua's political situation impedes the development of institutions and policies that would strengthen the private sector in the face of global competition. The World Economic Forum's Global Competitive Index for 2011-12 ranked Nicaragua 115th of 142 countries.
- The legal environment is among the weakest in Latin America. Property rights, including intellectual property rights, are especially difficult to defend. Nicaraguans commonly believe that the judicial system is controlled by political interests and is corrupt. Investors regularly complain that regulatory authorities are arbitrary, negligent, slow to apply existing laws and often favor one competitor over another. Lack of a reliable means to quickly resolve disputes with administrative authorities or business associates has resulted in disputes becoming intractable.
- The Nicaraguan Customs Authority regularly subjects shipments of commercial and even
  donated goods to bureaucratic delays and arbitrary valuation. Importers and exporters alike
  accuse the Nicaraguan Customs Authority of regularly assessing exorbitant fines for minor
  administrative discrepancies. In some cases, shipments are illegally held for days, weeks, or
  months, with no justification provided by customs agents.
- Business associations, religious organizations, and civil society question the manner in which
  the Supreme Court overturned a constitutional prohibition against reelection to allow
  President Ortega to compete, and be reelected, in the November 2011 elections.
- The 2011 presidential elections were not conducted in a transparent and impartial manner, and the electoral process was marred by significant irregularities, as reflected in public statements by international observers and Nicaraguan civil society groups. These elections mark a setback to democracy in Nicaragua that undermines the ability of Nicaraguans to hold their government accountable. The voting results, in which over 100,000 more votes were cast for the National Assembly than for the presidency, cast doubt on the outcomes. Furthermore, as of the end of 2011, the Supreme Electoral Council (CSE) has yet to publish results by voting table as required by Nicaraguan law. Opposition parties have rejected the

- results of the election and one independent domestic election group says that roughly 150,000 votes were manipulated in the election.
- President Ortega has trumpeted the concept of a mixed economy, in which economic power is
  divided between the state and private sector. He has used funds provided by Venezuela
  through the Bolivarian Alliance for the Americas (ALBA) to increase the role of the state in
  the economy.

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## **Market Opportunities**

- CAFTA-DR has provided new market opportunities for U.S. exports to Nicaragua. The treaty
  has also provided new opportunities for Nicaraguan exports to the United States, especially
  for meat, dairy, seafood, agricultural produce and processed foods.
- Nicaragua offers business opportunities in the tourism sector that are enhanced by attractive
  tax incentives. Nicaragua's emerging tourism industry allows for opportunities to those
  entrepreneurs who fully accept the risk of investing in Nicaragua, especially with regard to
  disputes over land title and lack of supportive infrastructure.
- Market opportunities exist in the following sectors: renewable energy; vehicles, auto parts, and equipment; consumer goods; computer equipment and peripherals; telecommunication equipment and services; medical, optical and dental equipment; plastics; agricultural inputs; food processing and refrigeration equipment; construction and hardware equipment; wheat; yellow corn; soybean oil; soybean meal; and rice.

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## **Market Entry Strategy**

- The use of agents and distributors is the most common way to export U.S products and services.
- The Nicaraguan retail market is relatively small, but identifying one representative for the Pacific and central regions and another for the Atlantic coast is often required to ensure nationwide coverage.
- A local lawyer should be consulted to determine the pros and cons of various agency or representation agreements.
- U.S. companies should visit potential partners or agents prior to entering into a relationship.
- U.S. firms should check the bona fides of potential partners before establishing a formal business relationship.

# **Chapter 2: Political and Economic Environment**

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For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/1850.htm

# **Chapter 3: Selling U.S. Products and Services**

## **Using an Agent or Distributor**

The Nicaraguan retail market is small but expanding. Local distributors and agents handle distribution and sales of imported products, as well as Nicaraguan products. Distribution and agency contracts are governed by the <u>Commercial Code</u>, but on several occasions during the last few years local distributors have succeeded in having judges rule on disputes with U.S. companies on the basis of a much more restrictive Law on Agents, Representatives, or Distributors of Foreign Brands (1979). On the basis of that law, these local distributors have attempted to impose, or succeeded in imposing, trade embargoes against U.S. brands.

Partnerships between U.S. and Nicaraguan businesses are common. There is no single information clearinghouse for identifying potential partners in Nicaragua or checking their bona fides. U.S. companies seeking agents, distributors, or partners in Nicaragua may request an International Partner Search, Gold Key Service, or a Contact List through their nearest <u>U.S. Export Assistance Center</u> or the <u>Economic/Commercial Section</u> of the U.S. Embassy in Managua. In some cases, organizations such as the <u>Nicaraguan Export and Investment Center</u>, the investment promotion agency <u>PRONicaragua</u>, the <u>American Chamber of Commerce of Nicaragua</u>, and the <u>Chamber of Commerce of Nicaragua</u> may provide additional information on potential business partners.

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## **Establishing an Office**

Registering a business is a relatively straightforward process. The Government of Nicaragua operates a <u>One-Stop Shop for Investment</u> (VUI) within the Ministry of Development, Industry and Trade to streamline investment and business licensing. The VUI claims that the average time for registering a business is between 31 and 52 days; the <u>2012 World Bank Doing Business Report</u> estimated that the process takes 39 days. The services of the VUI are equally available to domestic and foreign-owned businesses. An investor should retain a <u>local attorney</u> to assist in establishing a presence in Nicaragua. See <u>E-Regulations Nicaragua</u> for detailed information on registering a business in Nicaragua.

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## **Franchising**

Nicaragua has no specific law regulating franchising, but the Commercial Code and the <u>Foreign Investment Law</u> (2000/344) apply. There are more than 25 foreign franchises operating in Managua, including McDonald's, TGI Friday's, Pizza Hut, Domino's Pizza, Papa John's, Subway, Quiznos, Napa

Auto Parts, Hertz, Avis, Budget Rent a Car, DHL, Best Western, Holiday Inn, and Burger King. Many Nicaraguans are familiar with popular U.S. brands and have grown accustomed to U.S. fast food outlets and other services. Local companies such as Tip-Top (fried chicken) have developed strong local brands and are also expanding through franchising.

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## **Direct Marketing**

No specific law or regulation governs direct marketing. Some consumer product companies report successful direct selling campaigns. Informal vendors also employ the practice. Restaurants often use courier services to distribute brochures offering coupons for modest discounts. Obstacles to profitable direct marketing include confusing postal addresses and low telephone density.

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## Joint Ventures/Licensing

Nicaragua's <u>Commercial Code</u> governs the establishment of joint ventures, licensing arrangements, general and limited partnerships, and corporations.

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## **Selling to the Government**

The <u>Government Procurement</u> Chapter of the United States - Central America - Dominican Republic Free Trade Agreement (CAFTA-DR) requires that Nicaragua apply fair and transparent procurement procedures and rules and prohibits the Nicaraguan Government and its procuring entities from discriminating in purchasing practices against goods, services, and suppliers from the United States. Although Nicaragua is not a party to the plurilateral World Trade Organization (WTO) <u>Agreement on Government Procurement</u>, CAFTA-DR procurement rules are broadly based on that agreement, including the establishment of national treatment, requiring the Nicaraguan Government to treat suppliers of goods and services from the United States no less favorably than it does domestic counterparts. CAFTA-DR also provides rules aimed at ensuring a fair and transparent procurement process.

CAFTA-DR applies to most central government entities for goods and services valued above \$58,550, and construction services valued at \$6,725,000 or more. The threshold for municipalities and other decentralized government entities is \$477,000 for goods and services, and \$6,725,000 for construction services. Annex 9.1.2(b)(i) of the Government Procurement Chapter lists entities covered under the agreement; entities not listed, such as the National Electricity Company (ENEL), are not covered. Purchases wholly or partially financed by foreign governments or international organizations are conducted according to the procedures of the donor organization.

CAFTA-DR also establishes rules designed to ensure transparency in procurement procedures. Nicaragua must publish its laws, regulations, and other measures governing procurement, along with any changes to those measures. Procuring entities must publish notices of procurement opportunities in advance. The agreement provides that procuring entities may not write technical specifications to favor a particular supplier, good, or service. It also sets out the circumstances under which procuring

entities are allowed to use limited tendering. CAFTA-DR requires Nicaragua to maintain procedures to declare suppliers that have engaged in fraudulent or other illegal procurement actions ineligible for participation in future procurement.

The <u>Government Procurement Law</u> (amended 2010/737) and the <u>Municipal Procurement Law</u> (2007/622) provide detailed procurement procedures, including rules for open bidding, qualified bidding, limited tendering, and purchase by quotation. The <u>Ministry of Finance Procurement Office</u> operates an electronic portal for central government and municipality procurement, NICARAGUACOMPRA.

The Government Procurement Law establishes safeguards to encourage open competition among suppliers bidding on government contracts. It states that in order for the Government of Nicaragua to purchase goods and services, it must allow suppliers to compete under equal conditions. All government purchases must be planned and approved by procurement committees within each public entity.

The law allows foreign contractors to bid on projects on equal terms with locally registered companies. While foreign companies need not register locally in order to take part in the bidding process, they must present documentation from their home countries in order to prove that they are qualified bidders. If a foreign company wins a bid, it will need to register with the Nicaraguan government. CAFTA-DR also stipulates that foreign companies receive national treatment when bidding on government contracts. The GON predicts that it will spend \$278 million in 2012 on contracted projects and purchases.

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#### **Distribution and Sales Channels**

Local distributors and agents generally handle distribution and sales of imported products through wholesale, self-service (supermarkets and convenience stores), and retail ("mom and pop" stores and informal vendors) channels. The Nicaraguan retail market is relatively small, but identifying one representative for the Pacific and central regions and another for the Atlantic coast is often required to ensure nationwide coverage.

More than 1,000 wholesalers operate in Nicaragua. U.S. company PriceSmart operates a retail warehouse store in Managua, but also sells wholesale. There are three major supermarket chains in Nicaragua: Palí, La Unión, and La Colonia. Wal-Mart Central America operates the mid-range Palí and upscale La Unión stores. La Colonia is a local chain of supermarkets located in Managua, Granada, and Chinandega. There are also as many as 16,000 "mom and pop" stores and informal vendors that compete with larger retailers.

Nicaragua has a total of 2,299 kilometers of paved roads, primarily located along the Pacific region of the country but many of these roads are in poor condition. There are also 15,000 kilometers of dirt roads, but only half are passable during the dry season. The well maintained, 370 kilometer Pan-American Highway runs north-south along the western coast from Honduras to Costa Rica, giving Nicaragua access to the Atlantic coast seaports of <u>Puerto Cortés</u> in Honduras and <u>Puerto Limón</u> in Costa Rica. There are no paved roads linking the Pacific and the Atlantic coasts, but a road extends from Managua to El Rama, a river port that offers waterway transportation (maximum draft of 16 feet)

to Bluefields on the Atlantic coast. The Pacific coast <u>Puerto de Corinto</u>, the largest port in the country, is equipped with two warehouses, several storage tanks, special equipment for bulk freight, a crane to handle containers, and power outlets for refrigerated containers. The Nicaraguan government often announces plans for increased investment in roads, a dry and/or wet canal linking the two coasts, and even a railroad. At this point, however, no major improvements or changes in transportation infrastructure are confirmed in the foreseeable future

<u>Sandino International Airport</u>, located 13 kilometers (8 miles) from the capital, is a modern facility. The airport offers basic cargo handling, including refrigerated storage, with connections to major cities in Central America and the United States. Bluefields and Puerto Cabezas on the Atlantic coast each have a small commercial airport.

The Central Intelligence Agency's <u>World Fact Book</u> provides basic information on infrastructure in Nicaragua.

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## **Selling Factors/Techniques**

Sales and marketing techniques in Nicaragua are similar to those employed in the United States. Trade fairs and industry-specific shows are common. Nicaraguan companies have begun to adopt modern marketing techniques, including door-to-door advertising, point-of-sale promotions, and internet sales. Spanish language sales materials are a must.

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#### **Electronic Commerce**

CAFTA-DR's <u>Electronic Commerce</u> chapter requires nondiscriminatory, duty free treatment of digital products and encourages cooperation in numerous policy areas related to electronic commerce. Electronic commerce is still developing in Nicaragua. Currently, there are no laws or regulations restricting its use.

The Digital Signature Law (2010/729) extends legal validity to electronic signatures and digital certificates to facilitate business and government transactions, especially international transactions. The governing body for the accreditation of an electronic signature is the <u>Director General of Technology</u>, which is part of the <u>Ministry of Finance and Public Credit</u>. There is no indication, however, that the system necessary to accredit electronic signatures has been implemented.

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## **Trade Promotion and Advertising Pricing**

Much of the population is poor and receives information via radio. Other popular means of promotion are billboards, banners, printed flyers, and loudspeaker announcements. Advertising for higher-income segments of the population can be found in newspapers, television, cinema, and cell phone text messaging. Publicity through the internet is very limited, although growing. According to the <a href="Nicaraguan Institute for Telecommunications and Postal Service">Nicaraguan Institute for Telecommunications and Postal Service</a> (TELCOR), in 2011 there were 663,500 internet subscribers in Nicaragua.

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## **Pricing**

A value added tax (IVA) of 15% applies to the sale of most goods and services.

A <u>selective consumption tax</u> (ISC) is levied on a <u>variety of goods</u>. The tax generally ranges from 10% to 30% but is as high as 59% for tobacco products and alcoholic beverages. The ISC on domestic goods is based on the manufacturer's sale price, while the ISC on imported goods is based on the CIF value.

In an effort to address a growing budget deficit, the <u>Tax Equity Law</u> (2009/712) was amended in December 2009 to introduce a new 1% minimum tax on gross sales for businesses, a 10% tax on interest and dividend income, a 1.5% tax on transactions in the Nicaraguan commodities exchange market, and a 20% tax on income earned in Nicaragua by citizens who reside abroad.

The <u>Consumer Defense Law</u> (1994/182) caps the retail markup for pharmaceutical products at 30% for generics and 35% for branded products and caps the wholesale markup at 35% for generics and 30% for branded products. The <u>Nicaraguan Energy Institute</u> regulates liquified natural gas prices. Prices for public utilities such as water and electricity are also regulated. See *Chapter 6 of the Country Commercial Guide: Investment Climate Statement* for more information.

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#### **Sales Service/Customer Support**

Many local businesses place less emphasis on customer service and customer support than is the norm in the United States. Nicaraguan consumers are demanding better service and are receptive to foreign-owned businesses that make customer service a priority.

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## **Protecting Your Intellectual Property**

Several general principles are important for effective management of intellectual property rights in Nicaragua. First, it is important to have an overall strategy to protect your intellectual property. Second, intellectual property is protected differently in Nicaragua than in the United States. Third, rights must be registered and enforced in Nicaragua, under local laws. Your U.S. trademark and patent registrations will not protect you in Nicaragua. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. Most countries do, however, offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis; consider applying for trademark and patent protection even before selling your products or services in the Nicaraguan market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Nicaragua. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant,

retaining their own counsel and advisors. Companies should seek advice from local attorneys or intellectual property consultants who are experts in Nicaraguan law.

While the U.S. government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their intellectual property in a timely fashion. Moreover, in many countries, rights holders who delay asserting their rights on a mistaken belief that the U.S. government can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines or unreasonable delay in prosecution. In no instance should U.S. government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting intellectual property rights. Consider carefully, however, whether to permit your partner to register your intellectual property rights on your behalf. Doing so may create a risk that your partner will list itself as the intellectual property owner and fail to transfer the rights should the partnership end. Projects and sales in Nicaragua require constant attention. Work with legal counsel familiar with Nicaraguan laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

Small and medium-size companies should understand the importance of working together with trade associations and organizations to support efforts to protect intellectual property and stop counterfeiting. There are a number of these organizations, both Nicaragua- or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

#### **IP Resources**

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

• For information about patent, trademark, or copyright issues-including enforcement issues in the United States and other countries-call the STOP! Hotline: 1-866-999-HALT or register at www.StopFakes.gov.

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: 1-800-786-9199.
- For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For small and medium-size companies, the Department of Commerce offers a "SME IP
   Advisory Program" available through the American Bar Association that provides one hour of
   free IP legal advice for companies with concerns in Brazil, China, Egypt, India, and Russia.
   For details and to register, visit:
  - http://www.abanet.org/intlaw/intlproj/iprprogram\_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific
  intellectual property toolkits visit: www.StopFakes.gov. This site is linked to the USPTO
  website for registering trademarks and patents (both in the U.S. as well as in foreign
  countries), the U.S. Customs and Border Protection website to record registered trademarks
  and copyrighted works (to assist customs in blocking imports of infringing products) and
  allows you to register for Webinars on protecting intellectual property.
- The U.S. Commerce Department has positioned intellectual property attachés in key markets around the world. You can contact the intellectual property attaché who covers Nicaragua at: Christine.Peterson@trade.gov.

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## **Due Diligence**

Thorough due diligence can reduce the risk inherent in doing business in Nicaragua. Before finalizing any contract, U.S. companies are urged to obtain information on the bona fides of the contracting firm, including reliable business and financial references. For commercial transactions, requiring cash in advance or negotiating a letter of credit is advisable until a payment track record is established.

The Embassy's Economic/Commercial Section can provide assistance in identifying potential business partners through its International Partner Search. Representation or distribution agreements should include an arbitration clause and be reviewed by a local attorney. See *Chapter 6 of the Country Commercial Guide: Investment Climate Statement* for more information.

For information on the serious risk involved in purchasing real estate in Nicaragua, see *Chapter 6 of the Country Commercial Guide: Investment Climate Statement*.

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#### **Local Professional Services**

The Embassy recommends obtaining a local attorney to facilitate business transactions. Many attorneys have cooperative agreements with law firms throughout Central America and the United States.

Several local accounting firms have established cooperative agreements with U.S. accounting firms. Many are members of the American Chamber of Commerce of Nicaragua and may be contacted through that organization.

A limited number of contact centers and business process outsourcing vendors employ bilingual professionals who offer a variety of services to international firms, including telemarketing, consumer and commercial collections, back office work, data entry, market intelligence, and financial analysis.

# **Chapter 4: Leading Sectors for U.S. Export and Investment**

## **Renewable Energy Technology**

#### **Overview**

## Market Data (Millions of U.S. Dollars)

	2009	2010	2011
Total market size	5.51	22.25	21.6
Total local production	0	0	0
Total exports	0.01	0.074	0.1
Total imports	5.52	22.32	21.7
Imports from the U.S.	1.18	2.26	3.2

Note: Total market size = (total local production + total imports) - (total exports)

Source: Center for Export and Investment (CEI)

Electricity service in Nicaragua is the most expensive in Central America. Consequently, Nicaragua has experienced a significant increase in demand for renewable energy technology in recent years. Also, according to the Minister of Energy and Mines, between 2012 and 2014, the Government of Nicaragua plans on investing US\$1.43 billion in the construction of key renewable energy projects. By 2017, their goal is to have 90% of Nicaragua's energy produced by renewable sources, such as wind power, geothermal energy, solar power, hydropower, and biomass energy.

#### **Sub-Sector Best Prospects**

There are good opportunities for renewable energy products, such as wind turbines, lamps, regulators, solar panels, and batteries. These products are mainly imported from the United States, Japan, Vietnam, China, Indonesia, Germany, Korea, and Mexico.

## **Opportunities**

Nicaragua has an abundance of natural resources, with the potential to generate more than 4,500 MW of energy through geothermal sources, hydroelectricity, wind energy, and biomass projects. The Government of Nicaragua's Ministry of Energy and Mines has made this sector a priority, granting concessions to generate energy from renewable sources and to reduce the country's dependence on hydrocarbons to 15% of the energy generation matrix. Nicaragua's Investment Promotion Agency, PRONicaragua, is responsible for identifying and promoting opportunities in this sector. The Association of Renewable Energy Promoters and Products represents private sector participation in this industry.

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## **Food Processing and Packaging Equipment**

## **Overview**

#### Market Data (Millions of U.S. Dollars)

	2009	2010	2011
Total market size	11.30	18.08	27.81
Total local production	N/A	N/A	N/A
Total exports	0.238	0.086	0.792
Total imports	11.54	18.17	28.61
Imports from the U.S.	3.38	5.98	5.00

Note: Total market size = (total local production + total imports) - (total exports).

Note: N/A is used to denote information that is not available. In the case of local production of food processing and packaging equipment, the majority of the work is done in the informal, undocumented sector of the economy, rendering the information unavailable.

Source: Center for Export and Investment (CEI)

Nicaraguan and international companies are investing in food processing and packaging equipment to improve sanitary and quality standards for foods sold locally and for export. Fresh and processed foods are among Nicaragua's fastest growing exports, as well more traditional export goods such as coffee, which is benefitting from high international market prices.

#### **Sub-Sector Best Prospects**

Refrigeration equipment, such as refrigerated trucks, containers, and cold storage rooms, as well as laboratory equipment for testing and product certification, are in high demand. Demand is highest for used equipment in good condition.

## **Opportunities**

The Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-DR) offers improved access to U.S. markets for Nicaragua's agricultural goods. Nicaragua is taking advantage of these opportunities, especially in the areas of meat, dairy, seafood, produce, and processed foods.

The Government of Nicaragua offers certain incentives to exporters under the Temporary Admission Law, which allows inputs to be imported duty free. The Ministry of Development, Industry and Trade is responsible for administering this law through the <u>National Commission for Export Promotion</u>.

Currently there is only one public cold storage facility in the country, run by the <u>Association of Producers and Exporters of Nicaraqua (APEN)</u>. The facility has limited capacity and is too small to meet demand both for export and import shipments of perishable goods.

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## **Hotel and Restaurant Equipment**

#### Overview

#### Market Data (Millions of U.S. Dollars)

	2009	2010	2011
Total market size	11.97	15.70	17.47
Total local production	N/A	N/A	N/A
Total exports	0.02	0.07	0.02
Total imports	11.99	15.76	17.50
Imports from the U.S.	2.78	3.64	4.38

Note: Total market size = (total local production + total imports) - (total exports)

Note: N/A is used to denote information that is not available. In the case of local production of hotel and restaurant equipment, the majority of the work is done in the informal, undocumented sector of the economy, rendering the information unavailable.

Source: Center for Export and Investment (CEI)

The tourism industry is considered one of the most vibrant sectors of the Nicaraguan economy, experiencing consistent and sustained growth for almost a decade. In 2010, according to the Nicaraguan Ministry of Tourism (INTUR), Nicaragua received more than one million tourists for the first time, generating \$308.5 million dollars in revenue. Consequently, there is also an increased demand for hotel and restaurant equipment.

#### **Sub-Sector Best Prospects**

There is a growing demand for electrical appliances, chinaware, ovens, and other non-industrial items used in small and medium sized tourism-related businesses.

## **Opportunities**

The Government of Nicaragua offers several incentives for the tourism industry, including the Tourism Incentive Law, Law 306, which provides incentives and benefits for investments in lodging, food and beverages, tour operators, transportation of tourists, and airlines, among others.

The Government of Nicaragua's <u>Ministry of Tourism</u> actively promotes this sector, along with Nicaragua's Investment Promotion Agency, <u>PRONicaragua</u>. <u>The National Tourism Chamber</u> represents private sector participation in this industry.

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## **Medical and Dental Equipment**

#### Overview

## Market Data (Millions of U.S. Dollars)

	2009	2010	2011
Total market size	25.19	59.79	72.3
Total local production	N/A	N/A	N/A
Total exports	0.231	0.900	1.2
Total imports	25.42	60.69	73.5
Imports from the U.S.	18.19	1.41	20.5

Note: Total market size = (total local production + total imports) - (total exports)

Note: N/A is used to denote information that is not available. In the case of local production of medical and dental equipment, the majority of the work is done in the informal, undocumented sector of the economy, rendering the information unavailable.

Source: Center for Export and Investment (CEI)

There are five main private hospitals and over eight public hospitals in Managua. There are also multiple private clinics with reputable physicians, specialized in many different fields throughout Nicaragua, but mainly in Managua and Leon. Therefore, there are good sales opportunities both in the private and public sector for a wide range of medical equipment, including ultrasound machines, surgical equipment, and hospital beds.

The dental industry in Nicaragua is very well organized and highly active. Nicaraguan buyers, including specialists in periodontics, dental surgeons, and endodontics, frequently attend the Greater New York Dental Meeting (GNYDM) held in late November. There is high demand for dental implants, digital x-ray equipment, cosmetic dental supplies, disposable surgical suctioning equipment, and oral hygiene products.

#### **Sub-Sector Best Prospects**

Other best prospects related to the medical and dental sector include surgical masks and gloves, patient gratuities, other smaller utensils, and office supplies.

## **Opportunities**

Most of the dental and most prestigious medical schools in the country, such as <u>American University</u> and the <u>National Autonomous University of Nicaragua</u>, are located in Managua and Leon. The health industry changes rapidly, therefore both dentists and doctors must actively participate in seminars and other training opportunities in order to offer their patients the most up-to-date treatments. Private healthcare workers in Nicaragua regularly participate in international trainings and seminars.

The Government of Nicaragua's <u>Ministry of Health (MINSA)</u> regulates this industry. There is a professional Nicaraguan Dental Association, which can be reached at 505-2271-2090.

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**Building Products / Construction Equipment** 

#### Overview

Market Data (Millions of U.S. Dollars)

2009	2010	2011

	2009	2010	2011
Total market size	59.16	85.02	112.5
Total local production	N/A	N/A	N/A
Total exports	9.27	10.52	11.6
Total imports	68.44	95.54	112.5
Imports from the U.S.	18.58	27.67	33.5

Note: Total market size = (total local production + total imports) - (total exports)

Note: N/A is used to denote information that is not available. In the case of local production of building products and construction equipment, the majority of the work is done in the informal, undocumented sector of the economy, rendering the information unavailable.

Source: Center for Export and Investment (CEI)

After suffering a dramatic decrease due mostly to the world economic crisis, Nicaragua's construction industry is currently experiencing significant growth. There are a few major projects that might spur additional growth for this industry, such as the possibility for a new port in the Atlantic, as well as the coastline highway, maintaining existing roads, and a continuous demand for housing projects. Nicaragua has a housing deficit of more than 500,000 homes, mostly for low- and middle-income families. Developers have recognized this demand and invested in low-income housing during the past few years, particularly in Managua.

Construction equipment such as tractors, excavating machines, asphalt mixers, and dump trucks remain in high demand. There is also demand for construction materials.

## **Sub-Sector Best Prospects**

There are also good opportunities for steel and other building materials found in hardware stores including, tools, decorative items and bathroom fixtures.

## **Opportunities**

<u>The Ministry of Transportation</u> has announced its intentions to improve, maintain and upgrade current infrastructure, creating opportunities in the construction industry. The construction of several ports, including one in the Caribbean, a new coastline highway; the expansion of the only existing international airport and the construction of a secondary airport are being discussed, however these projects have not been confirmed.

The growth of the tourism industry will require new infrastructure, including hotels and roads. A housing shortage in all categories will continue to contribute to the demand for construction. The construction of retail space also drives demand for equipment and materials. The <u>Nicaraguan Housing</u> <u>Chamber</u> and <u>Nicaraguan Construction Chamber</u> represent private sector participation in this industry.

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#### **Plastics**

#### Overview

## Market Data (Millions of U.S. Dollars)

	2009	2010	2011
Total market size	75.4	142.0	167.3
Total local production	N/A	N/A	N/A
Total exports	8.7	8.9	9.5
Total imports	84.1	150.9	176.8
Imports from the U.S.	18.2	28.4	24.9

Note: Total market size = (total local production + total imports) - (total exports)

Note: N/A is used to denote information that is not available. In the case of local production of plastics, the majority of the work is done in the informal, undocumented sector of the economy, rendering the information unavailable.

Source: Center for Export and Investment (CEI)

#### **Sub-Sector Best Prospects**

The demand for plastics continues to increase, especially in sectors that require plastics as an input, including for chemical manufacturers, auto repair shops, computer equipment and peripherals, pharmaceutical, and agricultural producers.

The following are examples of products imported from the United States: plastic containers, plastic screens, plastic flower pots, plastic seals, plastic toys, and plastic key chains.

## **Opportunities**

There are a few companies that manufacture plastics in Nicaragua, particularly plastic containers, bags and similar products, but there is no significant local production of value-added products. There are also few companies in Nicaragua that recycle plastics and other goods such as tires and glass. Their main role, however, is to collect and export the material to other countries, where the waste is transformed into recycled products.

Consumers prefer to buy products that come in heavy plastic containers, which are often re-used for personal use.

The Nicaraguan Chamber of Industries represents private sector participation in this industry.

# **Agricultural Sectors**

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The agricultural sector, including livestock, forestry, and fisheries, suffers from drought, floods, poor irrigation systems, limited infrastructure, and thin credit markets. Despite the challenges, primary agriculture is an important sector in the Nicaraguan economy, accounting for 20.3% of the GDP in 2011. The agricultural sector employs over 28% of the labor force. Coffee, beef, sugar, tobacco, fruits, vegetables, shrimp, and lobster are among the leading Nicaraguan agricultural products. On the other hand, wheat, yellow corn, rice, soybean oil and soybean meal are among the leading Nicaraguan agricultural imports from the U.S. market.

U.S. agricultural imports from Nicaragua between January and December 2011 totaled over \$501.6 million, up 20% from 2010. U.S. agricultural exports to Nicaragua between January and December 2011 reached over \$264.04 million, up 10% from 2010.

#### Wheat

#### Overview

## Market Data (Millions of U.S. Dollars)

	2009	2010	2011
Total market size	42.0	35.3	56.1
Total local production	0	0	0
Total exports	0	0	0
Total imports	42.0	35.3	56.1
Imports from the U.S.	42.00	35.3	41.3

Note: Exports are FOB values and imports CIF values.

Source: Center for Export and Investment (CEI)

#### **Sub-Sector Best Prospects**

Nicaragua imports primarily spring wheat and small quantities of soft and hard red wheat. In 2011, Nicaragua received a 25,650-M.T. Russian wheat donation and expects to receive another 74,350 M.T in 2012.

## **Opportunities**

Imported wheat is processed into flour to be used in local bakeries. Bread is a main substitute for corn products in the Nicaraguan diet. Nicaraguan consumers perceive U.S. wheat as wholesome and of higher quality than alternatives.

The <u>U.S. Foreign Agricultural Service</u> works to promote U.S. agricultural exports. To contact the local office, please email <u>agmanagua@usda.gov</u>.

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#### **Yellow Corn**

#### **Overview**

## Market Data (Millions of U.S. Dollars)

	2009	2010	2011
Total market size	23.4	35.04	39.3
Total local production	0	0	0
Total exports	0	0	0
Total imports	23.4	35.04	39.3
Imports from the U.S.	23.3	35.04	39.3

Note: Exports are FOB values and imports CIF values.

Source: Center for Export and Investment (CEI)

## **Sub-Sector Best Prospects**

Yellow corn for animal feed is the main prospect. Yellow corn is used as a main ingredient in livestock feedstuffs, particularly in poultry feeds. The Nicaragua poultry industry has grown rapidly and produces high quality products.

## **Opportunities**

Nicaragua does not produce significant amounts of yellow corn. The Commission for Risk Analysis of Genetically Modified Organism has conducted and approved genetic material approved in the United States for yellow corn. U.S. yellow corn imports into Nicaragua for the purposes of processing and for animal feed have been approved. Under CAFTA-DR, Nicaragua imposes a tariff-rate quota (TRQ) for yellow corn that expands gradually and will eliminate tariffs on yellow corn in 2021. See Chapter 5:

Trade Regulations and Standards, Import Tariffs and Import Requirements and Documentation for more information.

The <u>U.S. Foreign Agricultural Service</u> works to promote U.S. agricultural exports. To contact the local office, please email <u>agmanagua@usda.gov</u>. The local private sector representation for this sector is the National Association of Poultry and Animal Feed Producers, which can be reached by emailing <u>anapa@anapa.org.ni</u>.

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#### Rice

## **Overview**

## Market Data (Millions of U.S. Dollars)

	2009	2010	2011
Total market size	86.4	46.1	47.9
Total local production	217,454	248,220	259,088
Total exports	2/1	3.7	1.3
Total imports	88.5	49.8	49.2
Imports from the U.S.	81.7	48.3	31.8

Note: Exports are FOB values and imports CIF values.

Sources: Center for Export and Investment (CEI)

**Sub-Sector Best Prospects** 

There are approximately 15 private rice importers in Nicaragua, but one of these companies imports the majority of this commodity.

## **Opportunities**

Nicaragua complements its local rice production with imports. The United States has been the main country of origin for rice imports to Nicaragua. Golden U.S. rice is repackaged in 5kg or 10kg bags. Under CAFTA-DR, Nicaragua imposes a TRQ for rice that expands gradually and will eliminate tariffs on rice in 2024.

The <u>U.S. Foreign Agricultural Service</u> works to promote U.S. agricultural exports. To contact the local office, please email <u>agmanagua@usda.gov</u>. The local private sector representation for this sector is

the Association of Nicaraguan Rice Producers, which can be reached by emailing <a href="mailto:anar@cablenet.com.ni">anar@cablenet.com.ni</a>, or calling (505) 2222-4570 or 2222-5513. Additional private sector representation is provided by the Association of Nicaraguan Rice Processors, which can be reached by emailing <a href="mailto:proarroz@cablenet.com.ni">proarroz@cablenet.com.ni</a>.

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## Soybean Oil

#### **Overview**

## Market Data (Millions of U.S. Dollars)

	2009	2010	2011
Total market size	24.7	40.4	46.4
Total local production	N/A	N/A	N/A
Total exports	0.4	11.9	18.4
Total imports	25.1	52.3	64.8
Imports from the U.S.	21.1	47.8	38.2

Note: Exports are FOB values and imports CIF values.

Note: N/A is used to denote information that is not available. In the case of local production of soybean oil, the majority of the work is done in the informal, undocumented sector of the economy, rendering the information unavailable.

Sources: Center for Export and Investment (CEI)

## **Sub-Sector Best Prospects**

Soybean oil is the predominant cooking oil in Nicaragua. Traditional Nicaraguan cooking uses a great deal of oil.

## **Opportunities**

There is a rising soybean oil refining industry in the country. There has been a 64% increase in Nicaraguan soybean oil imports, from 29,958.6 MT in 2006 to 49,110 MT in 2011, and a 272% increase in value. Soybean oil is highly desired by Nicaraguan consumers and continues to be the predominant cooking oil in the market.

The <u>U.S. Foreign Agricultural Service</u> works to promote U.S. agricultural exports. To contact the local office, please email <u>agmanagua@usda.gov</u>.

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## Soybean Meal and Cake

#### Overview

## Market Data (Millions of U.S. Dollars)

	2009	2010	2011
Total market size	22.4	26.7	29.9
Total local production	N/A	N/A	N/A
Total exports	0	0	0
Total imports	22.4	26.7	27.9
Imports from the U.S.	22.3	26.3	27.9

Note: Exports are FOB values and imports CIF values.

Note: N/A is used to denote information that is not available. In the case of local production of soybean meal and cake, the majority of the work is done in the informal, undocumented sector of the economy, rendering the information unavailable.

Sources: Center for Export and Investment (CEI)

## **Sub-Sector Best Prospects**

Soybean meal is used in animal feeds, especially by the poultry sector of Nicaragua.

## **Opportunities**

Soybean meal is a valuable source of protein for animal feed formulation and is regularly used in Nicaragua by feed industries. Nicaragua is not self-sufficient in soybean production. The internal supply of soybean is based on an annual production cycle. Soybean is planted during the rainy season between May and August, and takes about four months from sowing to harvest.

The <u>U.S. Foreign Agricultural Service</u> works to promote U.S. agricultural exports. To contact the local office, please email <u>agmanagua@usda.gov</u>.

# **Chapter 5: Trade Regulations and Standards**

#### **Import Tariffs**

As a member of the <u>Central American Common Market</u> (CACM), Nicaragua applies a harmonized external tariff on most items at a maximum of 15% with some exceptions. Approximately 95% of tariff lines are harmonized at this rate or lower. In response to rising prices, in 2007, Nicaragua issued a series of decrees to unilaterally eliminate or reduce to 5% tariffs on many basic foodstuffs and consumer goods. These decrees have been extended every six months and are currently in effect through June 30, 2012. The <u>Nicaraguan Customs Authority</u> maintains an <u>online database</u> of import tariffs, including tariffs applicable under CAFTA-DR.

Under CAFTA-DR, approximately 80% of U.S. industrial and consumer goods now enter Nicaragua duty-free, with remaining tariffs phased out by 2015. Nearly all textile and apparel goods that meet the Agreement's rules of origin now enter Nicaragua duty-free and quota-free, promoting new opportunities for U.S. and regional fiber, yarn, fabric, and apparel manufacturing companies.

More than half of U.S. agricultural exports now enter Nicaragua duty free thanks to CAFTA-DR. Nicaragua will eliminate its remaining tariffs on nearly all agricultural goods by 2025, including those on pork, rice, and yellow corn. Nicaragua will eliminate its tariffs on chicken leg quarters and rice by 2023 and on dairy products by 2025. For certain products, such as poultry leg quarters, tariff-rate quotas (TRQs) allow duty free access for increasing quantities as tariffs are phased out. Nicaragua will liberalize trade in white corn through expansion of a TRQ, but there is no tariff phase out.

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#### **Trade Barriers**

The U.S. Embassy receives numerous reports from U.S. businesses and nongovernmental organizations that the Nicaraguan Customs Authority regularly subjects shipments of commercial and even donated goods to bureaucratic delays and arbitrary valuation. Importers and exporters alike accuse customs officials of regularly assessing exorbitant fines for minor administrative discrepancies on paper work. In some cases, shipments are illegally held for days, weeks, months or even years, with no justification provided by customs agents. The U.S. Embassy rarely has success in obtaining information from the Nicaraguan Customs Authority concerning these cases.

The government levies a <u>selective consumption tax</u> (ICS) on many items, as described in *Chapter 3 of the Country Commercial Guide: Selling U.S. Products and Services*. The tax is not applied exclusively to imports, but imports are taxed on the cost, insurance, and freight value, while domestic goods are taxed on the manufacturer's price. All alcoholic beverages and tobacco products are taxed on the price charged to the retailer.

For motor vehicles, the <u>Nicaraguan Customs Authority</u> levies the ICS according to engine size. New and used automobiles with engines greater than 4000 cc face a tax of 30%, while those with engines less than 4000 cc pay 25%, 3000 cc pay 20%, 2,600 cc pay 15% and less than 1,600 cc pay 10%.

U.S. cars with larger engines may face stiff price competition from manufacturers of small cars. The ISC is applied to other motor vehicles based on engine size as well.

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Import Requirements and Documentation

An importer must present the following documentation to the Nicaraguan Customs Authority:

- bill of lading
- packing list
- original invoice
- declaration of invoice authenticity
- permits issued by Nicaraguan authorities (if necessary, see below)
- certificate of origin (to determine applicability of CAFTA-DR and other trade agreements)

Importers must also register as a taxpayer with the <u>Nicaraguan Tax Authority</u>. Once they have their tax identification number, they must register it with the <u>Nicaraguan Customs Authority</u>, Legal Affairs Division, which also requires importers to present proof of fiscal solvency on a monthly basis.

The process for sending donations to Nicaragua is to request authorization from the Ministry of Foreign Relations. The donating organization may wish to hire a local customs broker familiar with local customs procedures in order to ensure that the donation is not lost. Customs may seize a shipment if it is not removed from their warehouses after 20 days, but the importer can pay a fine in order to avoid it being auctioned off.

#### **Food and Beverages**

- The Ministry of Health, Food Inspection Office issues import permits for food and beverages.
- All imports of non-processed food must be registered with the Ministry of Agriculture, Agricultural Health and Sanitation Office.
- If a product is imported in bulk and packaged in Nicaragua, a phytosanitary or sanitary certificate is required from the country of origin and the Nicaraguan Ministry of Health, Food Inspection Office.
- For sugar, the Ministry of Development, Industry and Trade, International Trade Office issues import licenses.

## **Medicines and Cosmetics**

• The Ministry of Health, Pharmaceutical Office, issues import permits for medicines, cosmetics and hygiene products. Importers must present documentation demonstrating safety and effectiveness and pay fees to obtain a sanitary registration, plus as well as fees for

laboratory analysis (this fee varies if the products are made in Nicaragua). To ascertain fee amounts, please contact the Ministry of Health.

For more information on registering a product or the documents required for importing pharmaceutical products, please contact:

## Ministerio de Salud

Dirección de Farmacias

Complejo Nacional de Salud "Dra. Concepción Palacios" costado oeste, Colonia Primero de Mayo,

Módulo 4, Managua

Tel: (505) 2289-4700, ext. 1005

Fax: (505) 2289-4401 div-far@minsa.gob.ni

## Laboratorio Nacional de Control de Calidad de Medicamentos

Donde fue la Pepsi 2 c. al Sur, 3 c. Abajo, Managua

Tel: (505) 2244-1925

Inccm-cndrminsa@hotmail.com

## **Agriculture and Livestock**

- The Ministry of Agriculture and Forestry, Director General for Animal and Health Protection, is responsible for plant and animal health inspections.
- The Ministry of Agriculture and Forestry, Agrochemicals Office, issues import permits for agrochemical products and for medicine for veterinary purposes.
- The Minister of Agriculture and Forestry, after consideration of risk analysis conducted by CONAGREN, makes a final decision on biotechnology imports.

## **Telecommunications**

• The Nicaraguan Institute for Telecommunications and Postal Service issues imports permits for radio communication equipment, cable television installation equipment, telephone switchboard equipment, and commercial radio broadcast equipment.

## **Containers for Liquified and Compressed Gasses**

• The Fire Department, Fire Prevention Office, issues import permits for new and used cylinders or containers for liquified or other compressed gases.

## **Firearms**

• The National Police, Firearms and Ammunition Office administers an import permit system for firearms, ammunition, and explosives under the Special Law for Control and Regulation of Firearms, Ammunition, Explosives, and Related Materials (amended 2006/591).

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## **U.S. Export Controls**

U.S. firms must secure a permit from the U.S. Department of State, <u>Directorate of Defense Trade</u>

<u>Controls</u>, to export arms and ammunition to Nicaragua. For exports of other sensitive goods that may have both commercial and military uses, U.S. firms must seek authorization from the U.S. Department of Commerce, Bureau of Industry and Security.

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## **Temporary Entry**

Under the <u>National Treatment and Market Access for Goods</u> Chapter of CAFTA-DR, Nicaragua must provide duty-free temporary admission for products such as professional equipment, goods for display or demonstration, and commercial samples. The Chapter also includes specific provisions on the international transit of vehicles and containers.

The Ministry of Development, Industry and Trade, through the National Export Commission is responsible for administering Nicaragua's Temporary Admission Law, which defines the circumstances under which merchandise may be imported duty free, primarily in the case of re-export after a transformative process, repair, or alteration. This law only applies to companies that directly or indirectly export at least 25% of total production (no lower than US \$ 50,000 per year). The Nicaraguan Customs Authority is responsible for applying this law, and additional information is available by writing to cnpe@mific.gob.ni.

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## **Labeling and Marking Requirements**

The <u>Nicaraguan Technical Standard on Prepackaged Foods for Human Consumption</u> (1999/03-021) requires that prepackaged foods be labeled in Spanish and indicate product origin, contents, price, weight, production date, and expiration date. The Ministry of Development, Industry and Trade, Standards Office, will determine if the product complies with the labeling requirements, once the product has been registered with the Sanitation Office at the <u>Ministry of Health</u>.

The <u>Ministry of Health</u>, Pharmaceutical Office, requires that pharmaceutical products be packaged and labeled in Spanish for retail distribution and that their dosages be clearly indicated.

For those companies that are interested in participating in government tenders, sample products must be submitted with the required labels in Spanish.

Nicaragua is a signatory of the <u>Cartagena Protocol on Biosafety</u>. As mandated by the protocol, Nicaragua requires that agricultural goods containing more than 5% living modified organisms (LMOs) be labeled to indicate that they "may contain" LMOs.

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## **Prohibited and Restricted Imports**

The <u>Ground Transportation Law</u> (2005/524) prohibits the import of motor vehicles that are more than 10 years old, with the exception of antique cars and donations to the fire department, Red Cross, and religious organizations.

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#### **Customs Regulations and Contact Information**

The <u>Customs Administration and Trade Facilitation</u> Chapter of CAFTA-DR establishes rules designed to encourage customs transparency, predictability, and efficiency. Under the agreement, Nicaragua must promptly publish its customs measures, including on the Internet. Nicaragua must also release goods from customs promptly and expeditiously clear express shipments.

The <u>Central American Uniform Customs Code</u> establishes harmonized customs procedures for Guatemala, El Salvador, Nicaragua, and Honduras, including uniform documents, electronic transmission of customs information, and electronic prepayment of charges, tariffs and taxes.

Importers must use the services of a licensed <u>customs broker</u>. Nicaragua applies the World Trade Organization <u>Agreement on Customs Valuation</u> to determine customs duties. Many importers report, however, that the Nicaraguan Customs Authority misclassifies goods in order to apply a higher duty rate. They also allege that officials apply arbitrary reference prices. Several U.S. companies have reported having property stolen from a bonded warehouse at the port of Corinto, while port authorities and Customs officials refuse to intervene. Information on current customs regulations can be obtained from the Nicaraguan Customs Authority at Tel: (505) 2249-5719 or (Fax) 505-2249-5720 (fax).

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#### **Standards**

- Overview
- Standards Organizations
- Conformity Assessment
- Accreditation
- Publication of Technical Regulations

#### Overview

The <u>Technical Barriers to Trade</u> Chapter of CAFTA-DR requires that Nicaragua build on the WTO <u>Agreement on Technical Barriers to Trade</u> to promote transparency, accountability, and cooperation on standards and regulatory issues.

## **Standards Organizations**

The <u>Technical Standards and Quality Law</u> (1996/219) establishes a National Standards and Quality Commission, including public and private sector members, to develop standards and regulations. The Ministry of Development, Industry and Trade, <u>Technology</u>, <u>Standards</u>, <u>and Measurement Office</u>, serves as secretariat for the commission.

## **NIST Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <a href="http://www.nist.gov/notifyus/">http://www.nist.gov/notifyus/</a>

#### **Conformity Assessment**

The <u>Technical Barriers to Trade</u> Chapter of CAFTA-DR requires that Nicaragua recognize <u>conformity</u> <u>assessment</u> bodies located in the United States on terms equivalent to those located in Nicaragua. Conformity assessment in Nicaragua is limited to export products such as coffee and peanuts.

#### **Product Certification**

The Ministry of Development, Industry and Trade, <u>National Accreditation Office</u>, publishes technical standards and requirements governing standards certifying organizations.

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#### Accreditation

The Technical Standards and Quality Law (1996/219) establishes the Ministry of Development, Industry and Trade, <u>National Accreditation Office</u>, as the government entity responsible for accrediting standards certifying organizations.

The Technical Standards and Quality Law (1996/219) establishes the Ministry of Development, Industry and Trade, National Accreditation Office, as the government entity responsible for accrediting standards certifying organizations.

## **Publication of Technical Regulations**

The Ministry of Development, Industry and Trade, Technology, Standards, and Measurement Office, publishes Obligatory Nicaraguan Technical Standards as well as Standards Subject to Public Consultation.

## **Labeling and Marking**

Many of the standards requirements for labeling and marking in Nicaragua can be found in the Consumer Defense Law (1994/182), or by contacting the Ministry of Development, Industry and Trade, Technology, Standards, and Measurement Office.

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#### Contacts

The Ministry of Development, Industry and Trade, Technology, Standards, and Measurement Office employs the following contacts:

## • Department of Standards and Measurements

Telephone: 505-2267-4551 Ext. 1276

Email: dtnm@mific.gob.ni

## • Department of Standards

Head of the Standards Department Telephone: 505-2267-4551 Ext. 1238

 CODEX Alimentarius Point of Contact Telephone: 505-2267-4551 Ext. 1258

Email: codex@mific.gob.ni

• Information Center on Technical Barriers to Trade

Telephone: 505-2267-4551 Ext. 1230

The U.S. Department of Commerce's International Trade Administration employs a regional expert in standards, based in Mexico City:

Commercial Officer/Standards Attaché
 Office of Standards Liaison for Canada, the Caribbean, Central America and Mexico
 Telephone: 52-55-5140-2603

## **Trade Agreements**

Nicaragua, along with Costa Rica, El Salvador, Guatemala, Honduras, and the Dominican Republic, signed the <u>Central America - Dominican Republic - United States Free Trade Agreement</u> (CAFTA-DR) in August 2004. The agreement entered into force for Nicaragua and the United States on April 1, 2006.

The <u>Secretariat for Central American Economic Integration</u> (SIECA) provides technical and administrative support to Nicaragua, Costa Rica, El Salvador, Guatemala, and Honduras in their efforts to establish a <u>Central American Common Market</u>. Nicaragua has signed bilateral trade agreements with Chile, the Dominican Republic, Panama, Mexico, and Taiwan. In 2010, Central American countries, including Nicaragua, signed a trade agreement with the European Union. Nicaragua, along with Honduras, Guatemala and El Salvador, remains in the process of negotiating a free trade agreement with Canada, a process begun in 2001.

The Ministry of Development, Industry and Trade, <u>International Trade Office</u>, is responsible for the negotiation and implementation of trade agreements.

# **Chapter 7: Trade and Project Financing**

**How Do I Get Paid (Methods of Payment)** 

For commercial transactions, requiring cash in advance or negotiating a letter of credit is advisable until a payment track record is well established.

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## **How Does the Banking System Operate**

See Chapter 6: Investment Climate Statement for an overview of the financial sector.

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## **Foreign-Exchange Controls**

There are no foreign exchange controls. See <u>Chapter 6: Investment Climate Statement</u> for more information on foreign currency transactions.

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## **U.S. Banks and Local Correspondent Banks**

The following banks in Nicaragua have correspondent relationships with banks operating in the United States:

• Banco de América Central (BAC)

Edificio BAC, Km 4 1/2 Carretera a Masaya

Tel: 505-274-4444 Fax: 505-274-4441

Banco LAFISE BANCENTRO

Centro Lafise, Km 4 1/2 Carretera a Masaya

Tel: 505-2278-0803 Fax: 505-2278-6001

Email: info@bancentro.com.ni

• Citibank

Suc. Plaza España, Rotonda El Güegüense 20 vrs. al Oeste, Managua

Tel: 505-2255-8000

• Banco de la Producción (BANPRO)

Centro Corporativo BANPRO, Rotonda El Güegüense 1c. al Este

Tel: 505-2255-9595

Email: soluciones@banpro.com.ni

• Banco de Finanzas (BDF)

Suc. Bolivar, Esquina opuesta Hotel Crowne Plaza, Managua

• Banco ProCredit

Casa Matriz, Avenida Jean Paul Genie

Tel: 505-2255-9191 Fax: 505-2255-1670

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## **Project Financing**

Long-term financing is generally available as international banks introduce new products to the local market. Average loan rates are generally much higher than those available to U.S. businesses from banks outside Nicaragua. Loans are available both in dollars and córdobas, the local currency. Significant collateral is required to borrow locally, which may pose a constraint for businesses that lack assets in Nicaragua. Real estate mortgages are issued for terms of up to 20 years. The equity market is extremely thin and not a reliable source of project financing.

The <u>U.S. Overseas Private Investment Corporation</u>, <u>Export-Import Bank of the United States</u>, and the <u>U.S. Trade and Development Agency</u> are potential sources of project financing. The World Bank <u>International Finance Corporation</u>, the <u>Multilateral Investment Guarantee Agency</u>, the <u>Inter-American Development Bank</u>, and the <u>Central American Bank of Economic Integration</u> are also potential sources of project finance in Nicaragua.

# **Chapter 8: Business Travel**

## **Business Customs**

Business customs in Nicaragua, while often based on personal relationships, are relatively straightforward. Many Nicaraguan executives have been educated in the United States and are familiar with U.S. business customs. Business lunches can last longer than an hour and are a good way to build a personal relationship. Open-collar attire is acceptable for most meetings, but Nicaraguans accustomed to dealing with foreigners may dress more formally. Nicaraguans may arrive late for scheduled appointments, but concern for punctuality is improving. Businesses remain open at midday, but executives are often unavailable between noon and 2:00 p.m. Most business people rely heavily on cellular phones and will continue to receive and place calls during meetings.

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#### **Travel Advisory**

For up-to-date information on safety and security issues related to travel to Nicaragua, see U.S. Department of State, Bureau of Consular Affairs, <u>Nicaragua: Country Specific Information</u>

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## **Visa Requirement**

The <u>Immigration Office</u> in the Ministry of Interior is the definitive source for visa requirements for Nicaragua. The U.S. Department of State, Bureau of Consular Affairs, <u>Nicaragua: Country Specific Information</u> also provides relevant information.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <a href="http://travel.state.gov/visa/">http://travel.state.gov/visa/</a>

The Consular Section of the U.S. Embassy in Managua: http://nicaragua.usembassy.gov/visas.html

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#### **Telecommunications**

The <u>Nicaraguan Institute for Telecommunications and Postal Service</u> (TELCOR) reports there are 270,291 conventional phone lines installed in Nicaragua as of 2011. Claro (owned by América Móvil of Mexico) provides all land-based phone services. Communication with the United States is readily available through major U.S. long-distance carriers; however calls charges are subject to the rates imposed by the respective companies. Cellular phones have far surpassed land lines, with at least 4.2 million lines installed as of 2011. In cellular phone service, Claro competes with Telefónica Móvil of Spain (operating under the "Movistar" brand). Both companies also offer mobile internet access. Yota, a third provider, entered the cellular and internet market in 2009.

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## **Transportation**

U.S. airlines operate several daily roundtrip flights from the United States to Nicaragua, including American (Miami), United (Houston), Delta (Atlanta), and Spirit (Fort Lauderdale). Central American airline TACA operates flights to the United States through San Salvador, El Salvador. Most hotels offer airport shuttle services for their guests. Visitors commonly drive rental cars and a U.S. driver's license is valid for 60 days. Taxicab services within the perimeter of business class hotels are reliable, though robberies involving non-hotel taxis are common. Public transit is not recommended.

Information on transportation safety is available from the U.S. Department of State, Bureau of Consular Affairs, <u>Nicaragua: Country Specific Information</u>.

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#### Language

The official language of Nicaragua is Spanish, but some business persons and government officials speak English as a second language. English is also widely spoken as a first language on the Atlantic coast and on Corn Island, as well as a number of indigenous languages.

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#### Health

For up-to-date information on health concerns related to travel in Nicaragua, see U.S. Department of State, Bureau of Consular Affairs, <u>Nicaragua: Country Specific Information</u>.

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## **Local Time, Business Hours and Holidays**

The following holidays are observed in Nicaragua:

• New Year's Day: January 1

• Holy Thursday: Variable (April 5, 2012)

• Good Friday: Variable (April 6, 2012)

• Labor Day: May 1

• Sandinista Revolution Day: July 19

Festival of Santo Domingo (Managua only): August 1 and 10

• Battle of San Jacinto: September 14

• Independence Day: September 15

• Immaculate Conception Day: December 8

• Christmas Day: December 25

It is customary for the government and most private businesses to close for the entire week before Easter Sunday, known as "Semana Santa." Similarly, most government offices and private businesses close between Christmas and New Year's Day. When a holiday falls on a weekend, the government may declare a day off for government workers the preceding Friday or following Monday to create a three-day weekend, but the decision is often announced on short notice.

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## **Temporary Entry of Materials and Personal Belonging**

The Nicaraguan Customs Authority does not apply import charges or duties to goods such as laptop computers, professional equipment, or exhibit materials brought into Nicaragua for temporary personal or professional use. Business samples ordinarily may be brought in free of duty as well. See the Temporary Entry Section of *Chapter 5 of the Country Commercial Guide: Trade Regulations, Customs, and Standards* for more information.

# **Chapter 9: Contacts and Trade Events**

## **Contacts**

**U.S. Embassy** 

**Economic/Commercial Section** 

Km. 51/2 Carretera Sur

P.O. Box 327

Phone: 011 (505) 2252-7100 Fax: 011 (505) 2252-7229 Email: manaquaecon@state.gov

## Consular Section

Km. 5 ½ Carretera Sur

P.O. Box #: 327

Phone: 011 (505) 2252-7888 Fax: 011 (505) 2252-7250

Email: <a href="mailto:consularmanagua@state.gov">consularmanagua@state.gov</a>

## Nicaraguan Government

#### **Branches of Government**

- Office of the President
- National Assembly
- Supreme Court
- Supreme Electoral Council

## **Trade and Investment**

- Ministry of Development, Industry, and Trade
- Export Transaction Center
- National Free Trade Zone Commission
- PRONicaragua Investment Promotion Agency
- Nicaraguan Tourism Institute

## **Agriculture and Rural Development**

- Ministry of Agriculture and Forestry
- National Forestry Institute

## **Finance and Banking**

- Central Bank
- Superintendent of Banks and Other Financial Institutions
- Ministry of Finance

## **Transportation and Infrastructure**

• Ministry of Transportation and Infrastructure

- International Airport Administration
- National Ports Authority
- Nicaraguan Energy Institute
- TELCOR Telecommunications Regulator

#### **Labor Issues**

Ministry of Labor

## **Health and Environment**

- Ministry of Health
- Ministry of Environment and Natural Resources

#### Other

• Citizens Power Councils (unofficial local government advisory councils)

## **Business Associations**

The U.S. Embassy actively engages with the local business community in support of U.S. commercial interests, particularly through the American Chamber of Commerce of Nicaragua.

Other local chambers of commerce and business associations include:

- Chamber of Industries of Nicaragua
- Chamber of Commerce of Nicaragua
- Association of Producers and Exporters of Nicaragua
- Federation of Nicaraguan Business Associations
- National Chamber of Tourism of Nicaragua
- Center for Exports and Investments

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## **Market Research**

To view market research reports produced by the U.S. Commercial Service please go to the following website: <a href="http://www.export.gov/mrktresearch/index.asp">http://www.export.gov/mrktresearch/index.asp</a> and click on Country and Industry Market Reports.

Please note that these reports are available only to U.S. citizens and U.S. companies. Registration to the site is required and is free.

#### **Trade Events**

Please click on the link below for information on upcoming trade events.

http://www.export.gov/tradeevents/index.asp

## **Chapter 10: Guide to Our Services**

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do find export opportunities.

The U.S. State Department, in cooperation with the U.S. and Foreign Commercial Service, offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: <a href="https://www.export.gov">www.export.gov</a>.

For more information on the services offered to U.S. exporters, please visit <a href="http://nicaraqua.usembassy.gov/econ.html">http://nicaraqua.usembassy.gov/econ.html</a>.

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the U.S. Department of Commerce's Trade Information Center at (800) USA-TRAD(E).

We value your feedback on the format and contents of this report. Please send your comments and recommendations to: <a href="market Research Feedback@trade.gov">Market Research Feedback@trade.gov</a>

To the best of our knowledge, the information contained in this report is accurate as of the date published. The Department of State and the Department of Commerce do not, however, take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. The Department of State and the Department of Commerce can assist companies in these endeavors.